



**Billing Code: 5001-06**

**DEPARTMENT OF DEFENSE**

**Office of the Secretary**

**[Transmittal No. 16-05]**

**36(b)(1) Arms Sales Notification**

**AGENCY:** Defense Security Cooperation Agency, DoD.

**ACTION:** Notice.

**SUMMARY:** The Department of Defense is publishing the unclassified text of a section 36(b)(1) arms sales notification. This is published to fulfill the requirements of section 155 of Public Law 104-164 dated July 21, 1996.

**FOR FURTHER INFORMATION CONTACT:** Sarah A. Ragan or Heather N. Harwell, DSCA/LMO, (703) 604-1546/ (703) 607-5339.

The following is a copy of a letter to the Speaker of the House of Representatives, Transmittal 16-05 with attached Policy Justification and Sensitivity of Technology.

Dated: February 9, 2016.

**Aaron Siegel,**

*Alternate OSD Federal Register Liaison Officer,*

*Department of Defense.*



DEFENSE SECURITY COOPERATION AGENCY  
201 12TH STREET SOUTH, STE 203  
ARLINGTON, VA 22202-5408


The Honorable Paul D. Ryan  
Speaker of the House  
U.S. House of Representatives  
Washington, DC 20515

DEC 16 2015

Dear Mr. Speaker:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act, as amended, we are forwarding herewith Transmittal No. 16-05, concerning the Department of the Navy's proposed Letter(s) of Offer and Acceptance to the Taipei Economic and Cultural Representative Office in the United States for defense articles and services estimated to cost \$416 million. After this letter is delivered to your office, we plan to issue a news release to notify the public of this proposed sale.

Sincerely,

  
J.W. Rixey  
Vice Admiral, USN  
Director

Enclosures:

1. Transmittal
2. Policy Justification
3. Sensitivity of Technology



Transmittal No. 16-05

Notice of Proposed Issuance of Letter of Offer  
Pursuant to Section 36(b)(1)  
of the Arms Export Control Act

(i) Prospective Purchaser: Taipei Economic and Cultural Representative Office in the United States (TECRO)

(ii) Total Estimated Value:

Major Defense Equipment*	\$333 million
Other	<u>\$ 83 million</u>
TOTAL	\$416 million

(iii) Description and Quantity or Quantities of Articles or Services under Consideration for Purchase:

Major Defense Equipment (MDE) includes:

Thirteen (13) MK 15 Phalanx Block 1B Baseline 2 Close-in Weapons System (CIWS) Guns

Eight (8) CIWS Block 1 Baseline 0 to Block 1B Baseline 2 upgrade kits

Two-hundred and sixty thousand (260,000) Rounds of 20mm MK 244 MOD 0 Armor-Piercing Discarding Sabots (APDS)

Non-MDE includes:

20mm dummy rounds; spares to support the installation, maintenance and operation of the MK 15 Phalanx Block 1B Baseline 2 systems; classified and unclassified publications; software; training; technical assistance; installations; other technical assistance; and logistical support.

(iv) Military Department: NAVY (LHO)

(v) Prior related cases, if any:

TW-P-LFF, TW-P-LDA; P&A TW-P-LHO, \$320.2M, 10 October 2014.

(vi) Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: None

(vii) Sensitivity to Technology Contained in the Defense Article or Defense Services Proposed to be Sold: See Attached Annex.

(viii) Date Report delivered to Congress: 16 December 2015

\*as defined in Section 47(6) of the Arms Export Control Act.

## POLICY JUSTIFICATION

### Taipei Economic and Cultural Representative Office in the United States (TECRO) - MK 15 Phalanx Block 1B Baseline 2 CIWS Guns, Upgrade Kits, Ammunition, and Support

The Taipei Economic and Cultural Representative Office in the United States has requested a possible sale of:

Thirteen (13) MK 15 Phalanx Block 1B Baseline 2 Close-in Weapons System (CIWS) Guns

Eight (8) CIWS Block 1 Baseline 0 to Block 1B Baseline 2 upgrade kits

Two-hundred and sixty thousand (260,000) Rounds of 20mm MK 244 MOD 0 Armor-Piercing Discarding Sabots (APDS)

Also included in this possible sale are: 20mm dummy rounds; spares to support the installation, maintenance and operation of the MK 15 Phalanx Block 1B Baseline 2 systems; classified and unclassified publications; software; training; technical assistance; installations; other technical assistance; and logistical support. The estimated cost is \$416 million.

This sale is consistent with United States law and policy as expressed in Public Law 96-8.

This proposed sale serves U.S. national, economic, and security interests by supporting the recipient's continuing efforts to modernize its armed forces and enhance its defensive capability. The proposed sale will help improve the security of the recipient and assist in maintaining political stability, military balance, and economic progress in the region.

The proposed sale will improve the recipient's capability in current and future defensive efforts. The recipient will use the enhanced capability as a deterrent to regional threats and to strengthen homeland defense. The recipient will have no difficulty absorbing this equipment into its armed forces.

The proposed sale of this equipment and support will not alter the basic military balance in the region.

The prime contractor will be Raytheon Missile Systems Company in Tucson, Arizona. The purchaser has requested an offset of forty percent. At this time, agreements are undetermined and will be defined in negotiations between the purchaser and contractor.

Implementation of this proposed sale should not require the permanent assignment of additional U.S. Government or contractor representatives outside the United States.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

Transmittal No. 16-05

Notice of Proposed Issuance of Letter of Offer  
Pursuant to Section 36(b)(1)  
of the Arms Export Control Act

Annex  
Item No. vii

(vii) Sensitivity of Technology:

1. Purchaser currently has forty-two (42) MK 15 Phalanx Close-In Weapon Systems (CIWS) Guns of various configurations, including Block 0, Block 1 (Baselines 0, 1 and 2), Block 1A, and Block 1B Baseline 0. Purchaser will be upgrading eight (8) of its lower configurations as well as procuring thirteen (13) additional systems, all of which will have an end configuration of Block 1B Baseline 2 configuration. The main characteristics of the MK 15 Phalanx Block 1B Baseline 2 CIWS Gun are:

a. A Radar Upgrade that provides increased sensitivity on sea-skimming threats and improved low-observable performance.

b. A stabilized thermal imager and an automatic acquisition video tracker that were introduced with the Block 1B Baseline 0 configuration. These components provide the capability to engage small, high speed, maneuvering surface craft and low, slow aircraft and helicopters. The thermal imager also improves performance against Anti-Ship Cruise Missiles by carrying out more accurate angle tracking information to the fire control computer. Purchaser has already been provided this capability with the Block 1B Baseline 0 previously procured via an FMS case.

c. The Optimized Gun Barrel that was also introduced with the Block 1B Baseline 0 and provides improved dispersion performance of the ammunition when the system is fired. This gun barrel also permits use of the MK 244 ammunition, an enhanced lethal cartridge capable of penetrating harder warheads in use today. Purchaser has already been provided this capability with the Block 1B Baseline 0 previously procured via an FMS case.

2. Although the MK 15 Phalanx Block 1B Baseline 2 CIWS Gun is considered state-of-the-art technology, there is no Critical Program Information associated with the MK 15 Phalanx CIWS hardware, technical documentation, or software. The highest classification of the hardware to be exported is UNCLASSIFIED. The highest classification of the technical documentation to be exported is CONFIDENTIAL; there is only one CONFIDENTIAL technical manual that will be exported, which is required for the operation of the MK 15 Phalanx CIWS. The highest classification of software to be exported is UNCLASSIFIED. The MK 15 Phalanx CIWS meets Anti-Tampering requirements. Only Organizational-Level and Intermediate-Level maintenance capability will be exported. The Maintenance Plan for the MK 15 CIWS limits Intermediate-Level

maintenance to the system's Gun and Ammunition Handling System.

3. A determination has been made that the recipient country can provide the same degree of protection for the sensitive technology being released as the U.S.

Government. This sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the Policy Justification.

4. All defense articles and services listed in this transmittal have been authorized for release and export to the recipient.

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